



King County

2012 BUDGET

Executive Proposed

September 2011

Executive Summary

KING COUNTY, WASHINGTON

Dow Constantine
King County Executive



2012 Proposed BUDGET

Executive Summary

Office of the King County Executive
Office of Performance, Strategy and Budget

September 2011



Dow Constantine
King County Executive

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KING COUNTY OVERVIEW

King County

King County is the 14th most populous county in the United States and is home to over 1.93 million residents. The county is the economic center of the Puget Sound region and has about 1.16 million non-farm jobs. King County is the home of many well-known businesses, non-profit organizations, and civic institutions, including Microsoft, Amazon, Boeing Commercial Airplanes, the Gates Foundation, the Fred Hutchinson Cancer Research Center, and the University of Washington.

King County government provides two types of services. The County is a regional government providing transit, Superior Courts, prosecution and defense of felonies, corrections, elections, property assessment, licensing, public health, wastewater treatment, solid waste transfer and disposal, human services, regional parks, the King County International Airport (Boeing Field), and other programs for most or all of the county. The County is also a local government for the unincorporated area providing Sheriff's services, District Courts, roads, surface water management, land use and building permitting, prosecution and defense of misdemeanors, and other services. Many cities contract with the County to provide some of these local services within their jurisdictions. The County has other agencies that oversee and support the direct service agencies, including the County Executive, County Council, King County Information Technology (KCIT), and the Department of Executive Services (DES). Finally, County agencies provide flood control and ferry services under contracts with two separate governments: the King County Flood Control District and the King County Ferry District. Despite its title, the King County Library System is a separate government and is not administered by King County.



2012 PROPOSED BUDGET

County Executive Dow Constantine's 2012 Proposed Budget totals \$5.3 billion. This includes the biennial (2012-2013) budget for the Department of Development and Environmental Services (DDES) and the Department of Transportation (DOT). The County is in the process of gradually moving to a biennial budget. Current plans call for most agencies, except those budgeted in the General Fund, to prepare biennial budgets for 2013-2014. All agencies will move to biennial budgeting for 2015-2016.

King County's budget is complex due to legal and policy restrictions on the use of funds. Many revenues can only be used for specified purposes. For example, revenues received from cities and sewer districts for wastewater conveyance and treatment can only be used for those purposes. Sales tax revenues from the 0.9 percent transit sales tax can only be used to provide transit services. Property tax revenues from voter-approved levy lid lifts, such as the renewal of the Veterans and Human Services Levy that occurred in August 2011, must be used for the purposes specified in the ballot measure. The major categories of spending in the 2012 Proposed Budget are shown in Figure 1.

"I am pleased to present you with a budget that is balanced, a budget that is fair and just, and a budget with no further cuts to services in the General Fund."

Executive
Constantine
Sept. 26, 2011
Budget Speech

2012 EXPENDITURES BY STRATEGIC PLAN GOALS ALL FUNDS \$5.3 BILLION

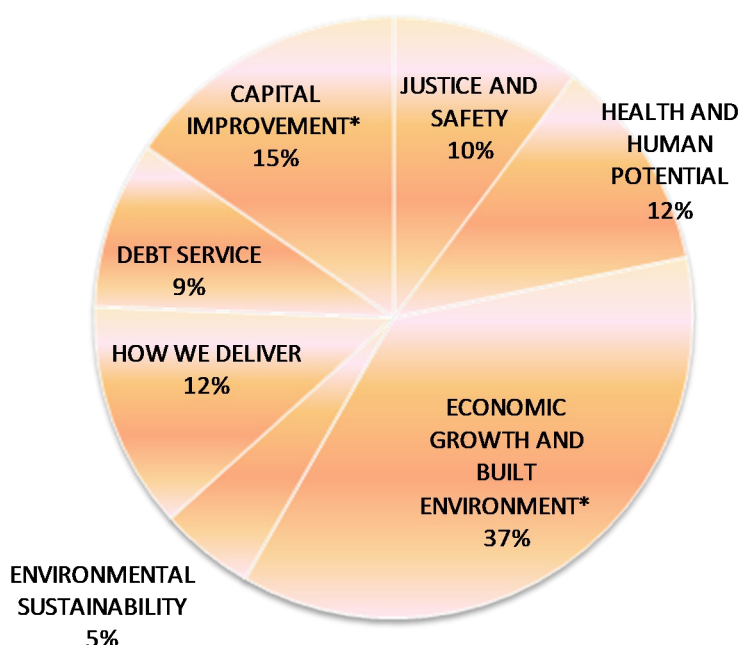


Figure 1

*Biennial budget for DDES and DOT 2012/2013

The County's only truly flexible source of money is the General Fund. The 2012 Proposed Budget for the General Fund totals \$648.1 million. The General Fund supports the traditional function of county government in Washington State, including the Sheriff's Office, Superior and District Courts, the Prosecuting Attorney's Office, public defense, corrections, the Assessor's Office, Elections, and various administrative functions. The General Fund also provides support to some other funds, including Public Health. The major categories of proposed General Fund revenue are shown in Figure 2 and the major sources of spending are shown in Figure 3. Total County employment is projected to change from 13,287 to 12,971 between the 2011 Adopted and 2012 Proposed Budgets.

2012 GENERAL FUND REVENUES \$645.2 MILLION

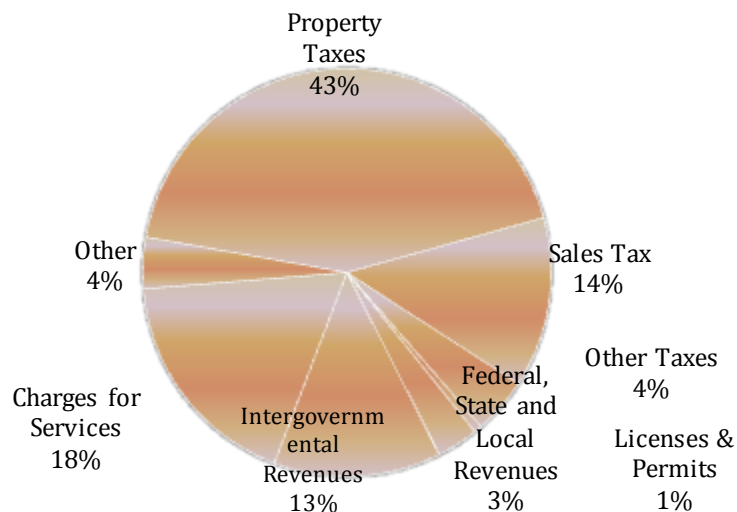


Figure 2

2012 EXPENDITURES BY STRATEGIC PLAN GOALS GENERAL FUND \$648.1 MILLION

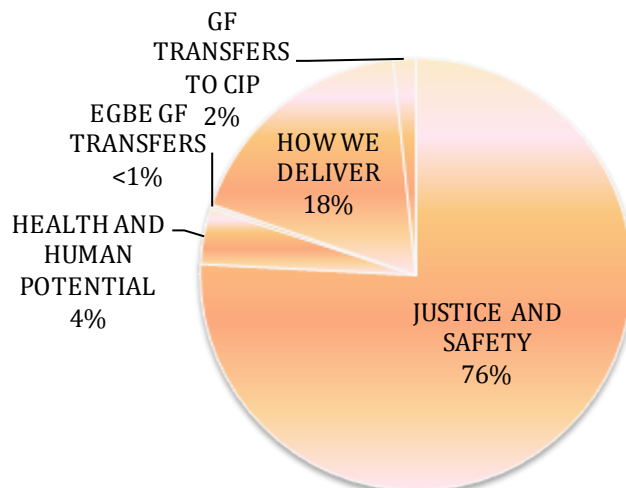


Figure 3

"We are thinking strategically about the outcomes people need, not just the money we put in. We are managing the things within our control, so we can be ready for the unexpected."

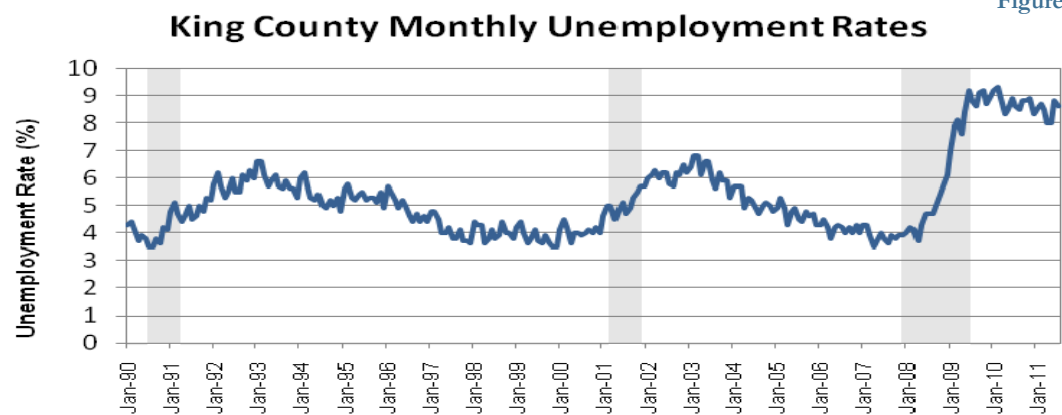
Executive
Constantine
Sept. 26, 2011
Budget Speech



ECONOMIC SITUATION

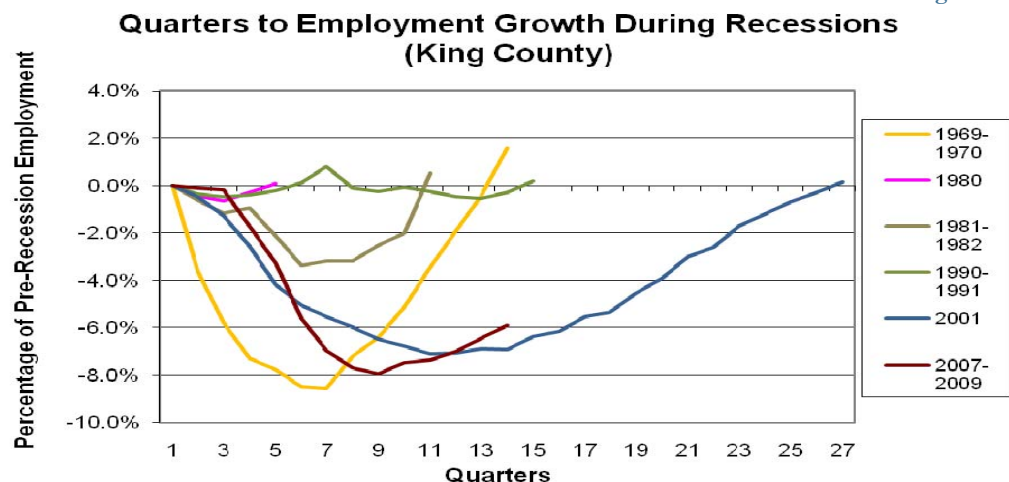
The Great Recession has profoundly changed the national, state, and regional economies. Even though the recession is officially over, economic growth remains stagnant. King County's economy is somewhat stronger than that of the state or nation, largely due to growth in aerospace, software, and health-related employment. Despite this, the unemployment rate in the county remains above 8 percent, as shown in Figure 4. This is a far higher level than has been experienced over the last two decades.

Figure 4



Recovery from the recession is expected to take a very long time. Figure 5 shows King County employment trends for the last six recessions. The deepest recession was the “Boeing bust” of 1969-1970 when over 8 percent of the jobs in the county were lost. However, recovery was very rapid, with all the job losses replaced within about three years (13 quarters).

Figure 5



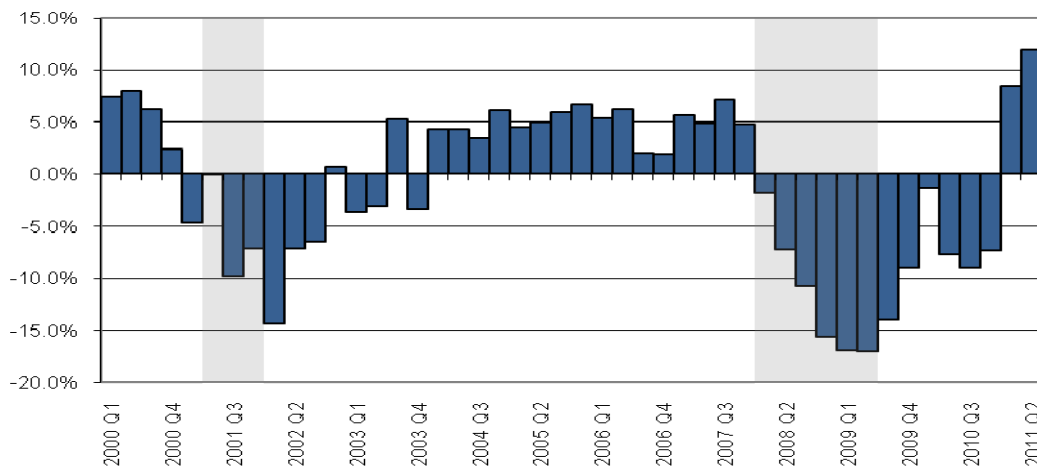
The 2001 recession was not quite so deep but persisted for a long time. It took over six years to replace all the jobs lost in that recession.

The current recession appears to be a bad combination of these two earlier ones. About 8 percent of the jobs in the county were lost and recovery has been very slow. Most forecasts suggest that the Puget Sound region will have stronger economic growth than the nation as a whole over the next few years, but this likely will be only a very gradual recovery. The weak housing and construction industries will act as a drag on the regional economy, offsetting strength in some other sectors.

Regional economic conditions have substantial effects on King County's revenues, notably the sales tax. King County receives sales tax revenues in several funds, with the largest amounts for the General Fund and transit. Figure 6 shows the real (the effects of inflation removed) year-to-year growth rate in taxable retail sales in the county. From 2004 through 2007, real growth averaged nearly 5 percent, allowing services to be preserved in the General Fund and supporting expansion of transit service.

Figure 6

Real King County Taxable Retail Sales: Year-over-Year Growth Rate



Source: WA Dept. of Revenue. Real values in \$2000

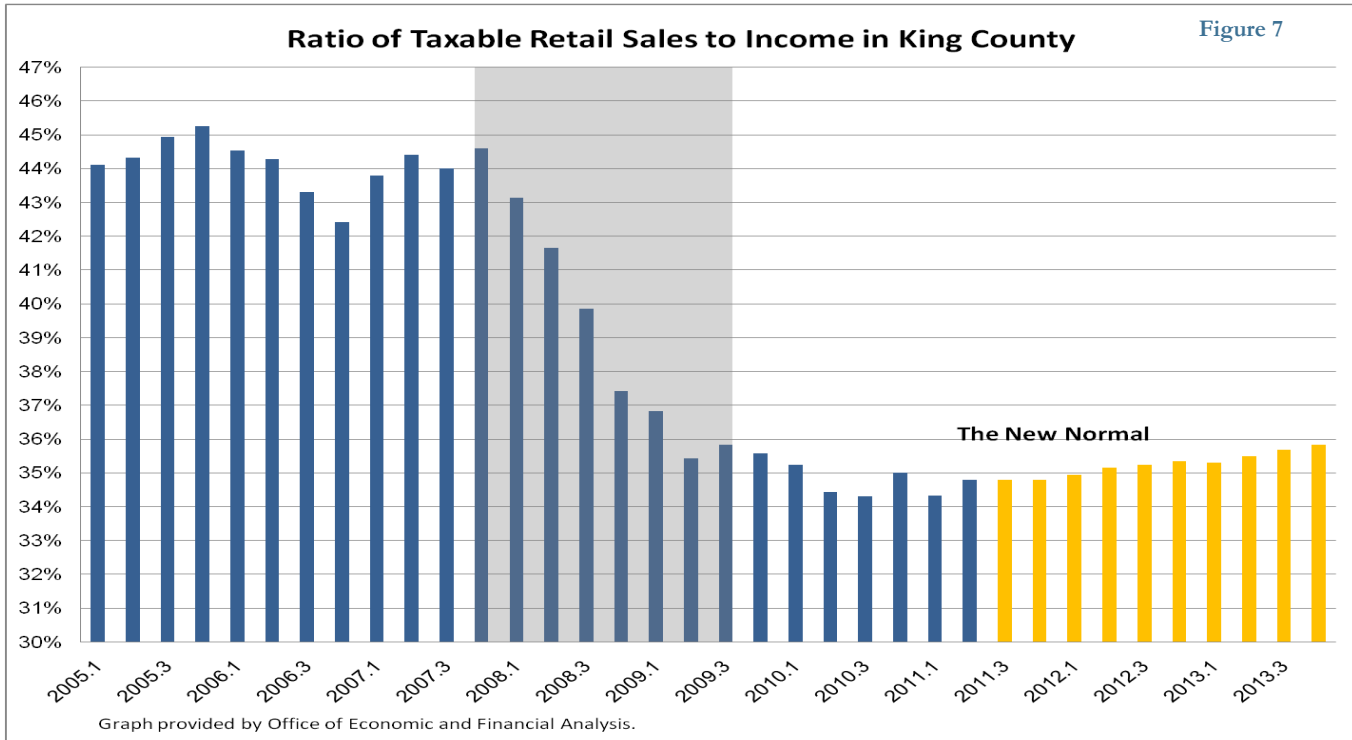
The Great Recession led to decreases in sales tax revenues in magnitudes not seen since the local sales tax was first authorized over 40 years ago. In late 2008 and early 2009, real sales tax revenues plunged by more than 15 percent, leading to significant cuts in services.

There is considerable reason to believe that sales tax revenues will have only a modest recovery in the next few years. Figure 7 shows the percentage of personal income spent on taxable retail sales since 2005, along with forecasts of this figure from King County's Office of Economic and Financial Analysis. Throughout the middle of the last decade, King County residents spent about 44 percent of their income on items subject to the sales tax. This fell to about 35 percent during the recession and seems stuck at this level. This change reflects caution by consumers, who are saving more and spending less. So, even though incomes are growing in King County, this is not being reflected in sales tax revenues.

“At King County we are preserving services and even putting aside some savings ... something rare among governments across the nation.”

Executive
Constantine
Sept. 26, 2011
Budget Speech

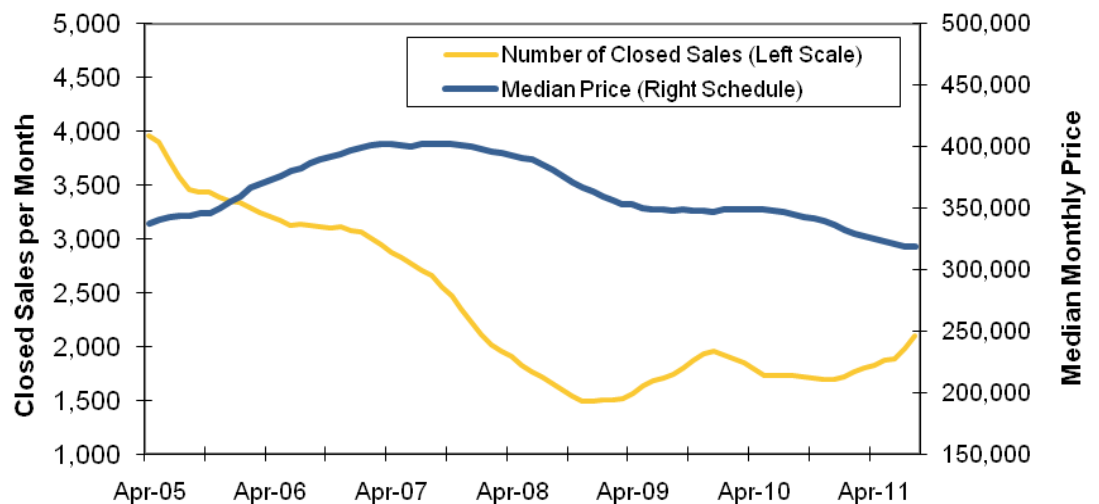
Figure 7



As noted previously, the housing market remains weak. Figure 8 shows home sales and median sale prices in King County since 2005. During this period, sales fell by over 60 percent before recovering slightly in the last year. Median home prices have fallen from about \$400,000 to about \$320,000.

Figure 8

King County Home Sales & Prices



Source: MLS, 12-mo moving average

The weakness in the housing market affects County revenues in many ways. It lowers assessed values, leading to property tax losses for some funds, notably the Roads Fund that pays for road operations and maintenance in the unincorporated area. Fewer transactions and lower prices reduce Real Estate Excise Tax revenues, which is the only source of funding devoted to parks maintenance in the unincorporated area of the county. It also affects sales tax revenues because housing-related purchases such as furniture are a significant component of the sales tax base.

Finally, the County continues to be affected by State limitations on property tax revenue growth. Starting in 2002, annual revenue growth has been limited to one percent, plus the value of new construction, unless voters approve a higher amount. The prior limit was 6 percent annually.

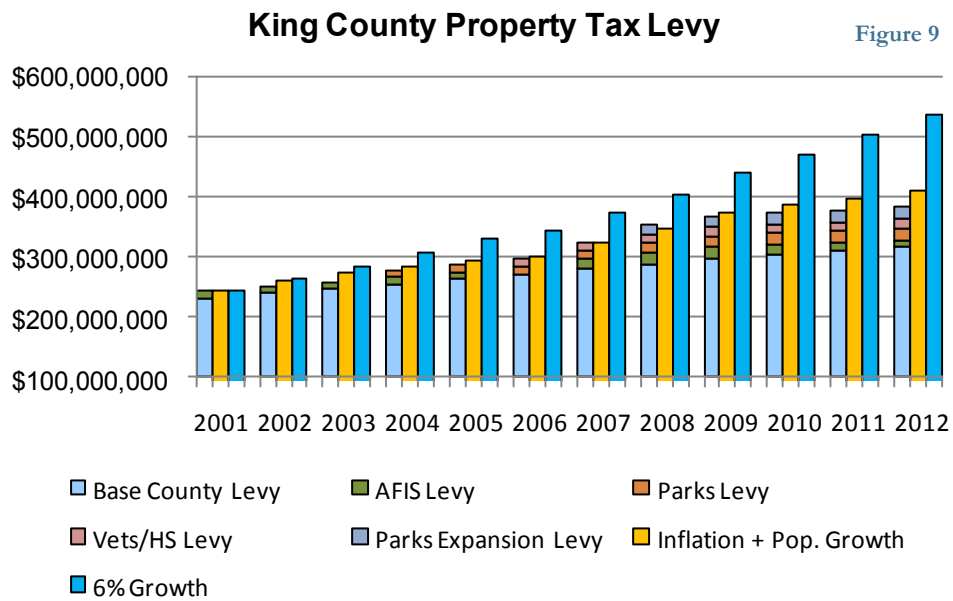


Figure 9 shows the effect of this limitation on the County's General Fund property tax revenue. In response to this limited revenue growth, the County has asked voters to approve levy lid lifts for specific purposes that previously had been funded by the General Fund. The voters have approved these levy requests, notably for parks expansion and operations, and for veterans and human services. This latter levy was renewed at the August 2011 election with 69 percent of the vote.

Despite approval of these levy lid lifts, property tax revenue has not kept up with inflation and population growth. In 2012, the County would collect about \$27 million more had property tax revenues kept up with inflation and population growth. The County would have been able to collect as much as \$153 million more had the previous 6 percent growth limit remained in effect.

BUDGET REFORM AND SUSTAINABILITY



King County

“The Strategic Plan is the blueprint for reform. It has four elements.

- *Service Excellence*
- *A Quality Workforce*
- *Wise Financial Stewardship*
- *Robust Public Engagement”*

Executive
Constantine
March 2010
Blueprint for
Reform

The 2012 Proposed Budget was developed in the context of the King County Strategic Plan (KCSP), which was adopted by the County Council in the summer of 2010. The KCSP is intended to guide all of the County’s policy, management, and financial decisions. It consists of four “What We Deliver” goals (Justice and Safety, Health and Human Potential, Economic Growth and Built Environment, and Environmental Sustainability) and four “How We Deliver” goals (Service Excellence, Financial Stewardship, Public Engagement, and Quality Workforce).

The 2012 Proposed Budget is structured to reflect these goals. Most appropriations are organized within the four “What” goal areas, and appropriations for many central service agencies are organized in a combined “How” goal area. Agencies were asked to link their budget proposals to specific parts of the KCSP, and budget discussions often reflected the Plan’s goals. For example, there are several proposals in the budget that reflect ideas to improve service excellence.

The KCSP embodies the concept of equity and social justice (ESJ), an initiative started several years ago to improve the quality of decision making. The purpose of ESJ is to make sure that all individuals and communities are treated equitably in County programs and to promote more comprehensive thinking about these issues.

The 2012 Proposed Budget was developed with a long-term perspective of being sustainable within projected resources:

1. THE BUDGET BUILDS ON THE LABOR PARTNERSHIP STARTED IN 2010

Last year, the County bargained with unions representing its employees to forego a cost-of-living adjustment (COLA) for 2011. Unions representing about 90 percent of the County’s employees agreed to this, which saved about \$23 million countywide (the 90 percent figure includes non-represented employees). These savings allowed services to continue and jobs to be restored that had been slated for elimination. Many of the unions agreed to three or four-year contracts with COLAs of 90 to 95 percent of the local Consumer Price Index. They also agreed to eliminate the previous “floor” that required a minimum 2 percent COLA.

2. THE BUDGET REFLECTS IMPLEMENTATION OF EXECUTIVE CONSTANTINE'S REFORM AGENDA, NOTABLY THE GOAL TO FIND 3 PERCENT EFFICIENCIES ANNUALLY

In the decade between 2001 and 2010, the annual growth rate in the cost of providing most County services was about 3 percent more than the sum of inflation and population growth. This higher cost growth was due mostly to wages and benefits, notably health care costs. As a result, the County had to reduce services and employment in many years. Executive Constantine's plan is to find annual efficiencies that bring the growth in the cost of County programs to about the rate of inflation and population growth. This can be accomplished through both general, County-wide means, such as better managing health care costs, and through agency-specific means, such as finding ways to make processes more efficient. The 2012 Proposed Budget reflects both of these types of efficiencies, which are summarized in Figure 10.

The 2012 Proposed Budget, along with supplemental appropriation ordinances in 2011, includes a series of investments intended to generate future cost savings. Two notable examples are information technology and building space. The County continues to operate some antiquated computer systems, including mainframe technology. Starting with an ordinance approved by the County Council in July 2011, the County will make investments in new systems to replace systems and equipment that in some cases are more than 30 years old. These investments will yield savings beginning in 2013. A related investment in a single county Data Center begun several years ago has allowed servers to be moved to a single location, which reduces equipment, utility, and staffing costs. This consolidation will be completed in 2012.

Similarly, the County Council approved funding in July 2011 to make a series of space moves to consolidate existing County office facilities by mid-2012. The County will be able to vacate and likely sell the Blackriver Building in Renton. It will also be able to vacate much of the Yesler Building in downtown Seattle, with the vacated floors being mothballed to reduce operating costs. County agencies will save about \$2.1 million in space charges in 2012 as a result of using space more efficiently. In 2012, some of these savings are offset by higher General Fund costs to maintain the vacant space. These General Fund costs should largely be eliminated in 2013 as buildings are mothballed or sold.

The King County Sheriff's Office is in the midst of a similar consolidation of its east county precincts into a new facility in Sammamish City Hall. This move, along with the move of the Criminal Investigations Division from the Maleng Regional Justice Center to downtown Seattle, will result in annual savings of approximately \$400,000.

"Here's the compact we can offer: if government can drive down the costs to close to that middle line of inflation, then the public has an honest choice."

Executive
Constantine
March 2010
Blueprint for
Reform

2012 Proposed Efficiencies by Appropriation Unit

Figure 10

Appropriation Unit	Efficiencies	Appropriation Unit	Efficiencies
County Council	\$ (76,000)	Adult and Juvenile Detention MIDD	\$ (77,000)
Council Administration	\$ (415,000)	Jail Health Services MIDD	\$ (194,000)
Hearing Examiner	\$ (12,000)	Mental Health & Substance Abuse MIDD	\$ (14,000)
County Auditor	\$ (69,000)	Mental Illness and Drug Dependency	\$ (115,000)
Ombudsman/Tax Advisor	\$ (40,000)	Veterans and Family Levy	\$ (47,000)
King County Civic Television	\$ (16,000)	Human Services Levy	\$ (20,000)
Board of Appeals	\$ (16,000)	Emergency Medical Services	\$ (4,077,000)
Office of Law Enforcement Oversight	\$ (15,000)	Water and Land Resources	\$ (1,650,000)
Charter Review Commission	\$ (7,000)	Rural Drainage	\$ (38,000)
Office of Economic and Financial Analysis	\$ (20,000)	Automated Fingerprint ID System	\$ (672,000)
County Executive	\$ (10,000)	Citizen Councilor Network	\$ (18,000)
Office of the Executive	\$ (102,000)	MHCADS - Alcoholism and Substance Abuse	\$ (516,000)
Office of Performance, Strategy and Budget	\$ (320,000)	Youth Sports Facilities Grant	\$ (4,000)
Office of Labor Relations	\$ (65,000)	Noxious Weed Control Program	\$ (55,000)
Sheriff	\$ (5,352,000)	Development and Environmental Serv.	\$ (1,784,000)
Drug Enforcement Forfeits	\$ 1,000	Children & Family Services Operating	\$ (105,000)
Office of Emergency Management	\$ (17,000)	Animal Services	\$ (267,000)
Executive Services - Administration	\$ (210,000)	Parks and Recreation	\$ (4,105,000)
Human Resources Management	\$ (261,000)	King County Flood Control Contract	\$ (156,000)
Cable Communications	\$ (4,000)	Marine Division	\$ (539,000)
Real Estate Services	\$ (107,000)	Public Health	\$ (7,639,000)
Records and Licensing Services	\$ (353,000)	Medical Examiner	\$ (155,000)
Prosecuting Attorney	\$ (1,921,000)	Grants	\$ (273,000)
Superior Court	\$ (1,743,000)	Employment & Education Resources	\$ (969,000)
District Court	\$ (1,261,000)	Federal Housing and Community Dev.	\$ (148,000)
Elections	\$ (270,000)	Natural Resources and Parks Admin.	\$ (717,000)
Judicial Administration	\$ (1,002,000)	Solid Waste	\$ (2,656,000)
Boundary Review Board	\$ (24,000)	Airport	\$ (506,000)
Internal Support	\$ (736,000)	Radio Communication Serv. (800 MHz)	\$ (55,000)
Assessments	\$ (1,263,000)	I-Net Operations	\$ (35,000)
Jail Health Services	\$ (1,055,000)	Wastewater Treatment	\$ (4,075,000)
Adult and Juvenile Detention	\$ (6,750,000)	Transit	\$ (18,183,000)
Office of the Public Defender	\$ (1,153,000)	DOT Director's Office	\$ (255,000)
Roads	\$ (4,113,000)	Safety and Claims Management	\$ (115,000)
Solid Waste Post-Closure Landfill Maint.	\$ (3,000)	Finance and Business Operations	\$ (885,000)
Veterans Services	\$ (27,000)	DES IT Equipment Replacement	\$ (4,000)
Developmental Disabilities	\$ (79,000)	KCIT Strategy and Performance	\$ (190,000)
Community and Human Services Admin.	\$ (167,000)	Geographical Information Systems	\$ (158,000)
Recorder's Operations and Maint.	\$ (18,000)	Business Resource Center	\$ (127,000)
Enhanced-911	\$ (104,000)	Employee Benefits	\$ (101,000)
MHCADS - Mental Health	\$ (315,000)	Facilities Management Internal Service	\$ (2,357,000)
Judicial Administration MIDD	\$ (49,000)	Risk Management	\$ (85,000)
Prosecuting Attorney MIDD	\$ (95,000)	Technology Services	\$ (1,142,000)
Superior Court MIDD	\$ (61,000)	Telecommunications	\$ (10,000)
Sheriff MIDD	\$ (2,000)	Equipment Rental and Revolving	\$ (217,000)
Office of Public Defender MIDD	\$ (119,000)	Motor Pool Equip Rental and Revolving	\$ (323,000)
District Court MIDD	\$ (160,000)		

Another example of efficiencies is found in the DOT Fleet Administration Division's annual process of reviewing the number of vehicles assigned to each agency. In August 2011, this process identified 54 vehicles that could be eliminated from the County's fleet, reducing annual costs by hundreds of thousands of dollars.

3. THE BUDGET REFLECTS SAVINGS IN THE PROJECTED COSTS OF EMPLOYEE BENEFITS

Employee benefits costs, particularly health care and pensions, have been a major factor in creating chronic imbalances between revenues and expenditures for many County funds. Significant progress was made in 2010 and 2011 in slowing the growth of these costs. The County worked with its employees and unions to find ways to hold down health care expenses, including more preferential pricing for generic prescriptions, shifting to more cost-effective medical providers without reducing quality of service, and encouraging employee weight loss. As a result, the budgeted 2011 health care cost increase of 12.5 percent was entirely avoided, and a supplemental appropriation recapturing these funds accompanies the 2012 Proposed Budget. The combined savings for 2011 and 2012 are about \$61 million for all funds, including \$19 million for the General Fund. These savings have been redirected to continue services, preserve jobs, and increase reserves.

Actuarial projections indicate that future health care costs likely will grow by 8 percent per year, which is what is assumed for the 2012 Proposed Budget. This growth rate, while lower than past projections, is still not sustainable. The County will be working with its employees and unions to find further ways to manage health care cost growth while preserving or increasing quality. Figure 11 shows past and projected trends in employee health care costs.

Paid Healthcare Benefits, 2000-2011 (\$mill)

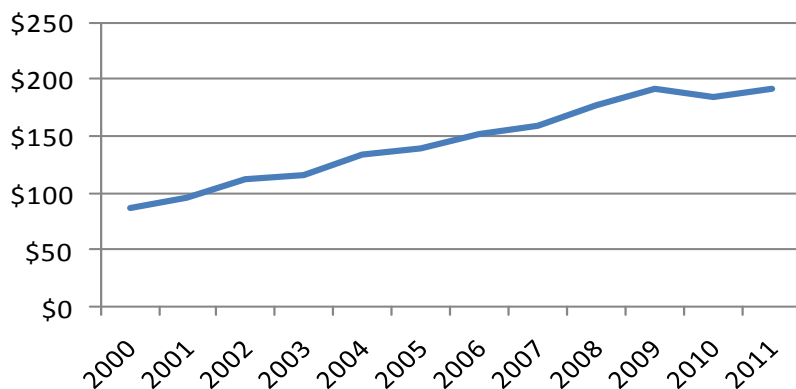


Figure 11

The vast majority of County employees are members of State-administered pension plans. Employer contributions to these plans were projected to increase dramatically between 2010 and 2017 due to

underfunding of older plans. In 2011, the State Legislature eliminated a cost-of-living adjustment in some of the plans, which had the effect of lowering the unfunded liability on a permanent basis. Pension rates will continue to increase in the future, but at a slower rate than had been assumed. Countywide savings from the lower than expected contribution rates total about \$21.3 million for 2011 and 2012 combined.

4. THE BUDGET INCREASES RESERVES IN SEVERAL FUNDS

Financial reserves were drawn down in many County funds in response to the Great Recession. Despite this, the County maintained the highest-possible ratings on General Obligation bonds, which allows the County to borrow at very low interest rates. The 2012 Proposed Budget adds to reserves in several areas:

- The unrestricted General Fund balance is increased from 6 percent to 6.5 percent.
- Reserves for lower than forecast sales tax revenue are established in the General Fund (\$2.4 million) and the Public Transportation (Transit) Fund (\$6.7 million). The County already follows a conservative revenue forecasting practice by budgeting revenues at the 65 percent confidence level, which means there is a 65 percent chance that actual revenues will equal or exceed the budgeted level. Because of the high degree of economic uncertainty, the 2012 Proposed Budget also sets aside the amount between the 65 percent and 95 percent confidence levels in these two funds.
- The General Fund reserve for future pension liabilities is increased to \$12.4 million. This reserve has been set aside over the last few years to help offset higher pension costs in the future.
- New financial policies are established for the Road Services Division. Some of these policies include:
 - ◆ Establish and maintain a revenue shortfall/non-reimbursable storm reserve.
 - ◆ Establish an undesignated fund balance to provide prudent working capital based on both industry best practices and cash flow trends in the operating fund.
 - ◆ Prepare a 20-year plan to identify and prioritize needed facility infrastructure improvements at Roads-owned facilities.
 - ◆ Interfund borrowing requests will be made in the first quarter of a year if anticipated negative balances are forecast to be more than \$5 million at any time during the year.
- Reserves for future software replacement are established in the Business Resource Center (BRC). The BRC is a new unit that will support the central information technology systems being developed by the Accountable Business Transformation project, which is described more fully in a later item. The 2012 Proposed Budget includes money to begin to accumulate reserves to upgrade this software when new versions are released. This will avoid the need to issue debt to pay for these upgrades.

5. THE BUDGET BEGINS TO IMPLEMENT A PRODUCT-BASED MODEL OF PLANNING AND BUDGETING

Governmental budgets are typically organized by agency and units within an agency. This often makes it difficult for the public to understand what an agency produces and it complicates measuring the quality, efficiency, and cost of these services. The 2012 Proposed Budget begins to shift to a “product” focus, where a product is a specific service an agency provides. Six agencies served as test cases for this concept. The budget sections for these six agencies present detail about the products provided by each agency and some attributes of each, such as alignment with the KCSP, quantity produced, quality measures, and cost per unit. The Executive’s goal is to have most or all County agencies using product-based budgets by 2014 as part of a revised business planning process.

6. THE BUDGET REFLECTS CONTINUED PARTNERSHIP WITH OTHER GOVERNMENTS

New economic realities mean that governments must seek efficiencies not only within their own operations but across organizational boundaries. The 2012 Proposed Budget reflects a continued and expanded partnership between the County and many other governments. For example, the financial plan developed as part of the 2011 Adopted Budget assumed that the City of Seattle would largely remove its inmates from King County’s correctional facilities in late 2011. However, the County and City negotiated a new jail services contract that gives the City a long-term commitment for predictable space and charges at a location that is across the street from the City’s Courthouse. In return, the County received a long-term commitment that allows it to make more cost-effective use of its jail capacity.

Similarly, the King County Sheriff’s Office maintained all of its contracts with suburban cities. A year ago, several cities indicated they were considering cancelling their contracts with the Sheriff’s Office. However, the Sheriff and Executive worked together to demonstrate to the cities that the contracting model provided both higher levels of service and lower costs than having separate police agencies. This was validated by an independent study conducted for the City of Burien.



HIGHLIGHTS OF 2012 PROPOSED BUDGET

King County

2012 Proposed Budget by Agency	
General Fund	2012 Proposed
Adult and Juvenile Detention	\$ 130,152,053
Assessments	21,778,926
Board of Appeals	709,278
Boundary Review Board	352,487
Cable Communications	304,509
Charter Review Commission	25,000
CIP GF Transfers	10,726,167
Council Administration	12,450,980
County Auditor	1,639,308
County Council	1,587,015
County Executive	243,932
District Court	27,451,186
Drug Enforcement Forfeits	1,138,037
Elections	19,957,022
Executive Services - Administration	3,519,464
Federal Lobbying	368,000
General Government GF Transfers	3,283,799
Hearing Examiner	549,243
Human Resources Management	5,722,405
Human Services GF Transfers	2,006,283
Inmate Welfare - Adult	1,163,877
Inmate Welfare - Juvenile	5,000
Internal Support	15,233,363
Jail Health Services	25,409,575
Judicial Administration	19,061,595
King County Civic Television	577,574
Memberships and Dues	602,204
Office of Economic and Financial Analysis	359,280
Office of Emergency Management	1,933,695
Office of Labor Relations	2,260,772
Office of Law Enforcement Oversight	354,531
Office of Performance, Strategy and Budget	7,104,511
Office of the County Executive	4,257,373
Office of the Public Defender	41,627,295
Ombudsman/Tax Advisor	1,133,492
Physical Environment GF Transfers	2,321,804
Prosecuting Attorney	58,718,143
Prosecuting Attorney Antiprofitteering	119,897
Public Health and Emergency	
Medical Services GF Trans	25,041,950
Real Estate Services	3,798,707
Records and Licensing Services	8,906,813
Sheriff	143,823,142
State Auditor	872,172
Superior Court	44,528,459
Total General Fund	653,180,318
Less Underexpenditure Assumption	(5,103,603)
Total General Fund Balanced to Financial Plan	648,076,715

As a result of the reforms outlined above, the 2012 Proposed Budget funds most County programs at 2011 levels, despite only limited economic and revenue growth. All services provided by General Fund agencies are maintained and a few programs are added or expanded. Total appropriations by agency are shown in Figures 12 and 13.

Figure 12

Non General Fund Agencies

Figure 13

2012 Proposed Budget by Agency	
Non-General Fund	2012 Proposed
2011 Byrne Justice Assistance Grant	242,692
Adult and Juvenile Detention MIDD	329,464
Airport	29,709,006
Airport Construction Transfer	7,700,000
Animal Bequest	200,000
Animal Services	6,813,225
Automated Fingerprint Identification System	15,839,472
Business Resource Center	8,652,978
Children and Family Services	
Community Services - Operating	4,772,840
Children and Family Services Transfers to	
Community and Human Services	3,714,101
Citizen Councilor Network	138,440
Community and Human Services Administration	7,277,360
Cultural Development Authority	13,030,396
DDES Abatements	556,042
DES IT Equipment Replacement	364,087
Development and Environmental Services	29,897,421
Developmental Disabilities	27,421,079
District Court MIDD	983,689
DOT Director's Office	11,810,072
Emergency Medical Services	71,347,000
Employee Benefits	225,069,445
Employment and Education Resources	11,353,332
Enhanced-911	27,252,923
Equipment Rental and Revolving	26,644,796
Expansion Levy	19,493,105
Facilities Management Internal Service	45,930,125
Federal Housing and Community Development	18,895,115
Finance and Business Operations	26,846,212
Geographical Information Systems	5,405,053
Grants	19,438,407
Historic Preservation Program	461,500
Human Services Levy	9,293,807
I-Net Operations	2,901,537
Inter-County River Improvement	50,000
Jail Health Services MIDD	3,313,545
Judicial Administration MIDD	1,467,595
KCIT Services	60,403,976
KCIT Strategy and Performance	3,822,801
King County Flood Control Contract	34,773,830
Local Hazardous Waste	15,129,607
Marine Division	28,002,082
Medical Examiner	4,720,080
Mental Health and Substance Abuse MIDD	5,012,727
Mental Illness and Drug Dependency	41,023,077
MHCADS - Alcoholism and Substance Abuse	28,226,707
MHCADS - Mental Health	168,760,427
Motor Pool Equipment Rental and Revolving	25,417,441
Natural Resources and Parks Administration	5,820,640
Noxious Weed Control Program	1,861,772
Office of Public Defender MIDD	1,817,183
Parks and Recreation	30,539,214
Prosecuting Attorney MIDD	1,155,620

Public Health	198,918,179
Radio Communication Services (800 MHz)	3,379,298
Recorder's Operations and Maintenance	2,234,703
Risk Management	27,940,468
Roads	155,027,751
Roads Construction Transfer	59,396,833
Rural Drainage	22,054,170
Safety and Claims Management	36,817,841
Sheriff MIDD	168,075
Solid Waste	96,731,761
Solid Waste Post-Closure Landfill Maintenance	2,826,439
Stormwater Decant Program	724,719
Superior Court MIDD	1,563,797
Transit	1,316,314,891
Transit Revenue Vehicle Replacement	204,279,532
Veterans and Family Levy	9,863,770
Veterans Services	3,061,189
Wastewater Equipment Rental and Revolving	8,433,074
Wastewater Treatment	116,620,203
Water and Land Resources	28,954,465
Youth Sports Facilities Grant	771,363
Non-General Fund Total	3,437,185,566
Debt Service Funds	
Limited G.O. Bond Redemption	252,677,456
Stadium G.O. Bond Redemption	1,834,750
Unlimited G.O. Bond Redemption	22,240,250
Wastewater Treatment Debt Service	211,619,903
Total Debt Service	488,372,359
Capital Improvement Program	
Capital Improvement Program	145,913,825
Major Maintenance Capital Improvement Prog	9,053,819
Public Transportation Capital Improvement Prog	361,845,886
Roads Capital Improvement Program	91,759,000
Solid Waste Capital Improvement Program	3,482,109
Surface Water Capital Improvement Program	8,742,223
Wastewater Treatment Capital Improvement Pro	211,932,142
Total Capital Improvement Program	832,729,004
TOTAL COUNTY	\$5,411,467,247

Note: Total 2012 Proposed Budget is \$5.3 Billion net of transfers between funds.

Some of the most significant budget changes for other funds include:

1. New revenue source for transit.

The Department of Transportation's Transit Division provides bus, paratransit, vanpool, and related services throughout the county. Sales tax revenue represents the single largest source of funding for these services. The recession caused sales tax revenues to fall from a high of \$442 million in 2007 to a low of \$375 million in 2010. The latest forecast shows sales tax revenues not returning to their 2007 level until 2014. Without additional revenue, Transit would have had to reduce bus service by about 600,000 hours (about 17 percent of total service hours) in the 2012-2013 biennium. However, in response to a series of efficiencies and reforms implemented by the County, the Legislature provided a two-year authority to levy a \$20 per vehicle congestion reduction charge to support transit. The County Council approved this charge in August, and revenue collection will begin in early 2012. Transit still needs a long-term funding source, but this action averted a substantial short-term reduction in service. Figure 14 shows recent revenue trends for Transit and how the congestion reduction charge will provide temporary financial relief.

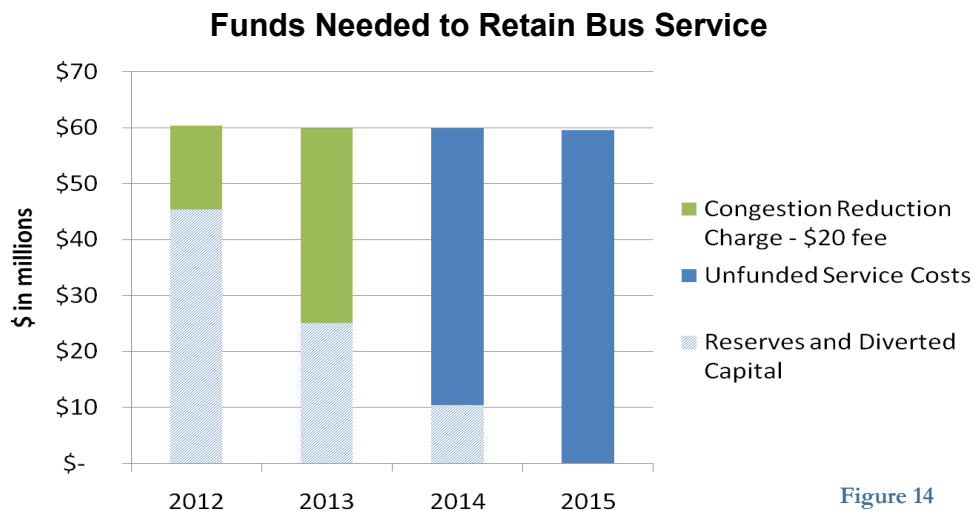


Figure 14

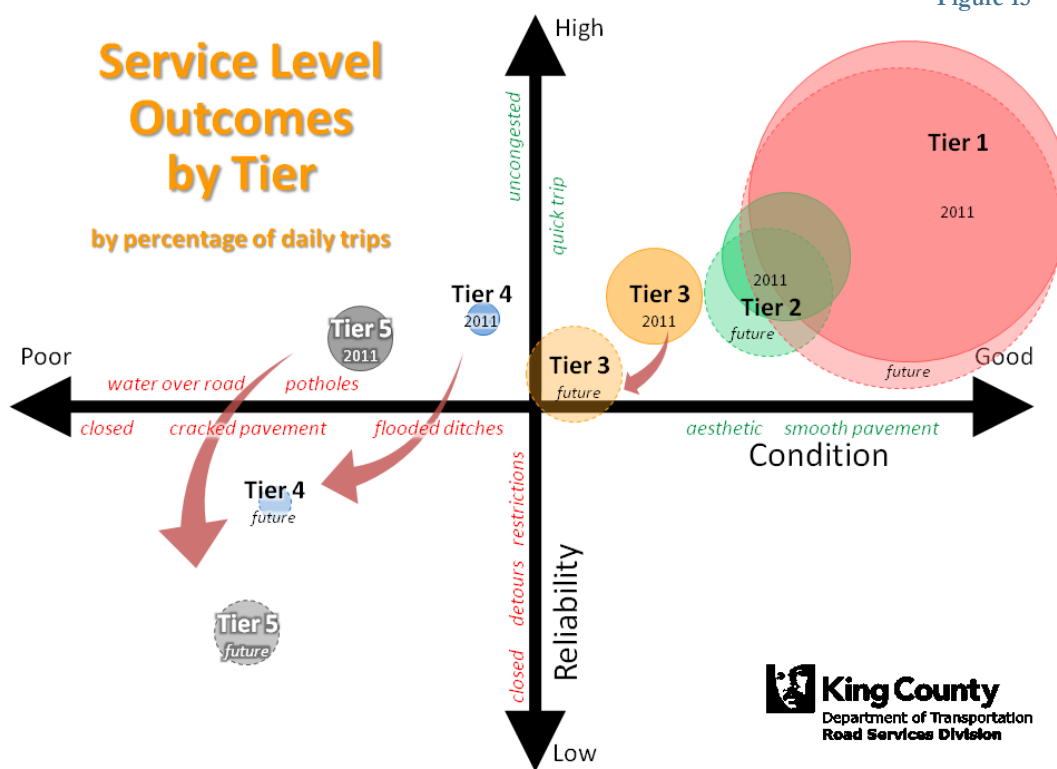
2. Reduced revenue and new approach for the Road Services Division.

Some of the functions provided by the County in unincorporated areas are supported by revenues generated only in those areas. As urban areas are annexed by cities, the revenue base for these functions narrows, but most of the costs remain. This problem is most acute for the DOT's Road Services Division. The principal revenue source for

Roads is a property tax. In 2009, property subject to this tax had an assessed value of \$52.5 billion. Current projections for 2012 show a taxable assessed value of only \$33.2 billion, a reduction of 37 percent. This is due to a combination of annexations and lower valuations for most properties.

In response to this revenue decline, the Road Services Division is proposing significant reductions in capital and operating spending, including the implementation of five tiers of roads, with the highest tiers receiving continued investment and the lowest tiers receiving only minimal maintenance. Figure 15 provides a graphical representation of how conditions of roads in each tier will change over time.

Figure 15



3. State and federal funding reductions.

Both the federal and state governments face major financial challenges and have made spending reductions that affect King County departments, notably the departments of Public Health (DPH), Adult and Juvenile Detention (DAJD), and Community and Human Services (DCHS). Both DPH and DCHS made mid-2011 program reductions in response to state funding reductions. Further reductions are likely in 2012. The 2012 Proposed Budget includes the effects of the 2011 cuts but does not speculate on potential future actions. The remainder of the County's budget is fairly well insulated from federal and state actions because little or no money from these levels of government is provided to King County. However, federal and state program reductions will have effects on the County's residents.

4. Consolidation of information technology functions.

For several years, the County has discussed the benefits of consolidating departmental information technology functions and staff into a single agency. The 2012 Proposed Budget implements this idea for all departments reporting to the County Executive. The existing Office of Information Resource Management will absorb these responsibilities and is renamed as King County Information Technology (KCIT). For 2012, the budgets and staff are simply transferred from other departments to KCIT, with only modest changes in a few cases. Starting in 2013, efficiencies from the consolidation will be realized.

5. Implementation of the Accountable Business Transformation (ABT) project.

ABT is a multi-year effort to replace the County's central information processing systems, including human resources, payroll, accounting, and budgeting. The human resources system was deployed at the end of 2010. The payroll, accounting, and financial management functions are scheduled to be implemented at the beginning of 2012. The budget module will be implemented in the first quarter of 2012. A new performance management system will be deployed on a pilot basis in late 2012. In order to ensure successful implementation of a complex new system, temporary staff are added in a few agencies. In early 2012, a benefits realization review will be conducted in all county agencies to identify efficiencies that have been generated by ABT and implement them for the 2013 budget.

6. One-time investment in human services.

King County is the home of hundreds of non-profit agencies that provide human services to county residents. Many of these agencies have faced major reductions in funding from governments and other sources, while needs for food, shelter, health care, counseling, and other services have grown due to the weak economy. The Executive is proposing to devote a portion of the savings from General Fund efficiencies to a one-time competitive pool of funds. Non-profit agencies would be asked to submit proposals by December 30, 2011, with requests focused on one-time needs such as technology or organizational development. At least 40 awards of \$25,000 or less would be made. DCHS would administer the program. All projects would be complete by December 31, 2012.

7. Reinvestment in the “infrastructure” of County government.

In recent years, the County has reduced or eliminated several functions that are essential to the long-term functioning of any large organization. For example, staff devoted to Countywide organizational development and training were completely eliminated, and training funds in individual agencies were reduced. This budget proposes to reinvest in this essential internal infrastructure by adding a new continuous improvement group to implement the Executive’s commitment to the “Lean” methodology in County government. Lean is a form of analysis based on the Toyota Production System and focuses on finding ways to improve processes and reduce waste. The County has conducted three Lean “events” through August 2011, all of which identified substantial opportunities to produce better products in less time. In addition, an Employee Development unit is added to the Human Resources Division. This unit would begin to rebuild the internal capacity to support organizational development and employee training that has been cut in recent years.

The 2012 Proposed Budget is the product of several related policy initiatives to make the County more efficient in an era of diminished resources. These efforts will need to continue in the future to ensure that County government can continue to provide a wide array of high quality services for the residents and institutions of King County.
